



*WE CAN'T SPEND MONEY  
WE DON'T HAVE*

BUDGET MESSAGING FOR THE CONSTITUENT WORK WEEK

**“To grow our economy and protect  
our children from national bankruptcy,  
we’ve got to quit spending money  
we don’t have.”**

# The Facts About Our Debt

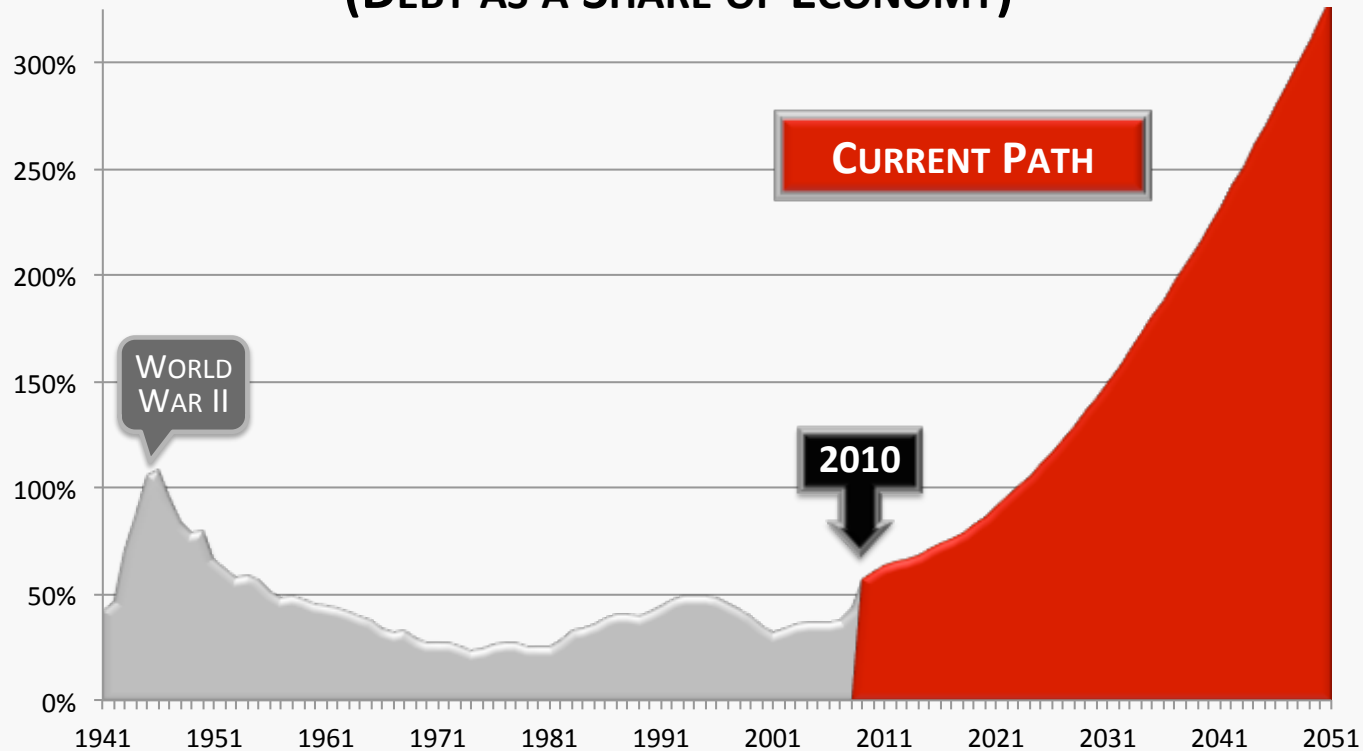
1. We have a debt crisis facing our nation.
2. The debt crisis threatens our job growth, our national security and sovereignty, and our nation's children.
3. We have a debt crisis because Washington spends too much, not because Washington taxes too little.
4. The spending is driven by retirement and health security programs.
5. The cost of doing nothing is unacceptable.
6. Principles to save and strengthen Medicare, Medicaid and Social Security.
7. What we can do today.

**We have a debt crisis  
facing our nation.**



# CRUSHING BURDEN OF DEBT

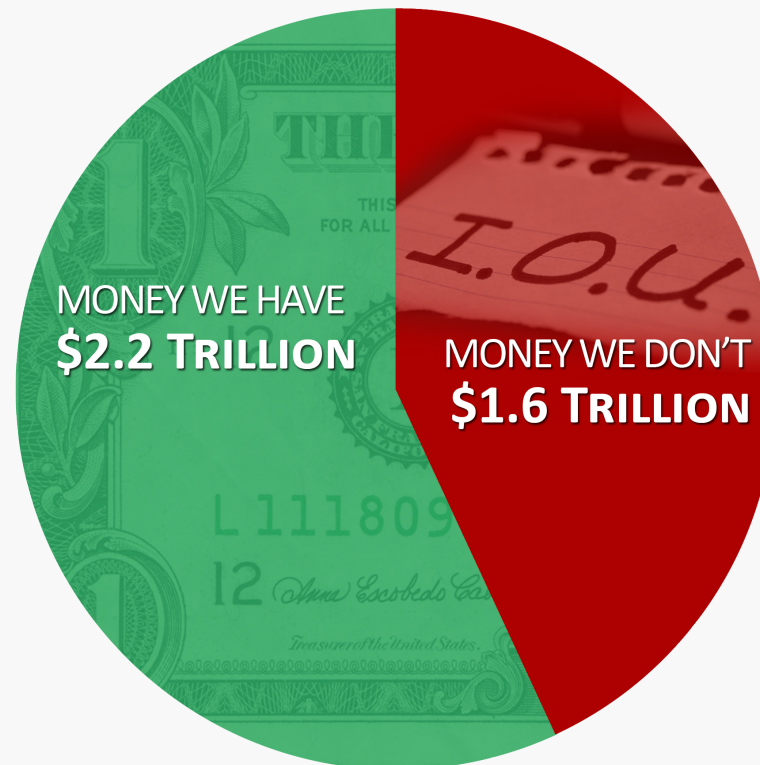
## (DEBT AS A SHARE OF ECONOMY)



Source: Congressional Budget Office,  
Office of Management and Budget

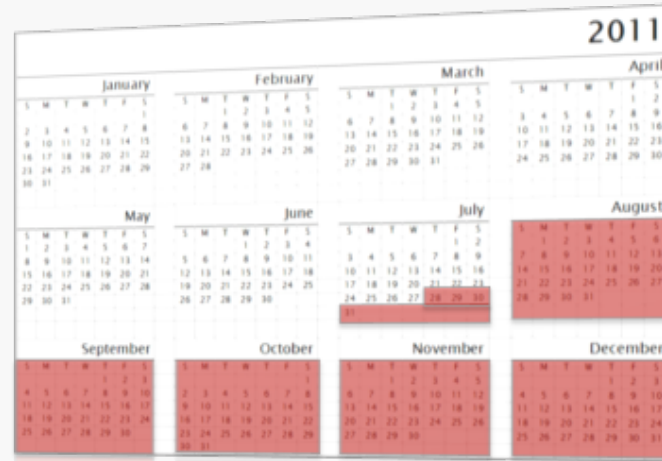
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# THE FEDERAL GOVERNMENT IS BORROWING MORE THAN 42 CENTS OF EVERY DOLLAR IT SPENDS



Source: Office of Management and Budget,  
President's Budget FY 2012

# “Debt Day”



All spending after July 27 of this year is borrowed spending.

Source: Office of Management and Budget,  
President's Budget FY 2012



“This debt is like a cancer...  
It is truly going to destroy the country  
from within.”



*Erskine Bowles*  
*Co-Chairman of the White House Fiscal*  
*Responsibility Commission*  
*Former Clinton White House Chief of Staff*  
*July 11, 2010*

“This [entitlement spending] could trigger  
an economic and political death spiral.”

*Robert Samuelson*  
*Economist & Columnist*



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“U.S. fiscal policy is unsustainable, and unsustainable to an extent that it can’t be solved through minor changes.”



*Douglas Elmendorf*  
*Director of the Congressional Budget Office*  
*April 8, 2010*

**The debt crisis threatens  
our job growth.**

“The seeds of the next recession have already been planted. The debt burden accumulated over the next ten years will sink us.”

**Honeywell**

*Dave Cote*

*Chairman & CEO, Honeywell*

*122,000 employees*

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What's really weighing on their minds, Fishman said, is not knowing how the coming explosion in federal debt is going to affect their borrowing costs, liquidity, cost of doing business and prices.



*Jay Fishman*

*Chairman & CEO, Travelers Insurance  
32,000 employees*



“[I]f we continue this kind of a policy, we’re dead in the water. Because they don’t know what’s coming ... he said, [quoting small business owner] this debt, this budget, this debt that we have, in the trillions he said, Bernie, I’m going to have to pay for this somehow.”



*Bernie Marcus*  
*Former Chairman & CEO*  
*Home Depot (255,185 employees)*  
*September 18, 2010*



“[U]nless we as a nation make a strong commitment to fiscal responsibility, in the longer run, we will have neither financial stability nor healthy economic growth.”



*Ben Bernanke*

*Chairman of the Federal Reserve*

*June 9, 2010*

If we do nothing...

**HISTORIC DEBT**

will lead to

**HISTORIC TAX INCREASES**

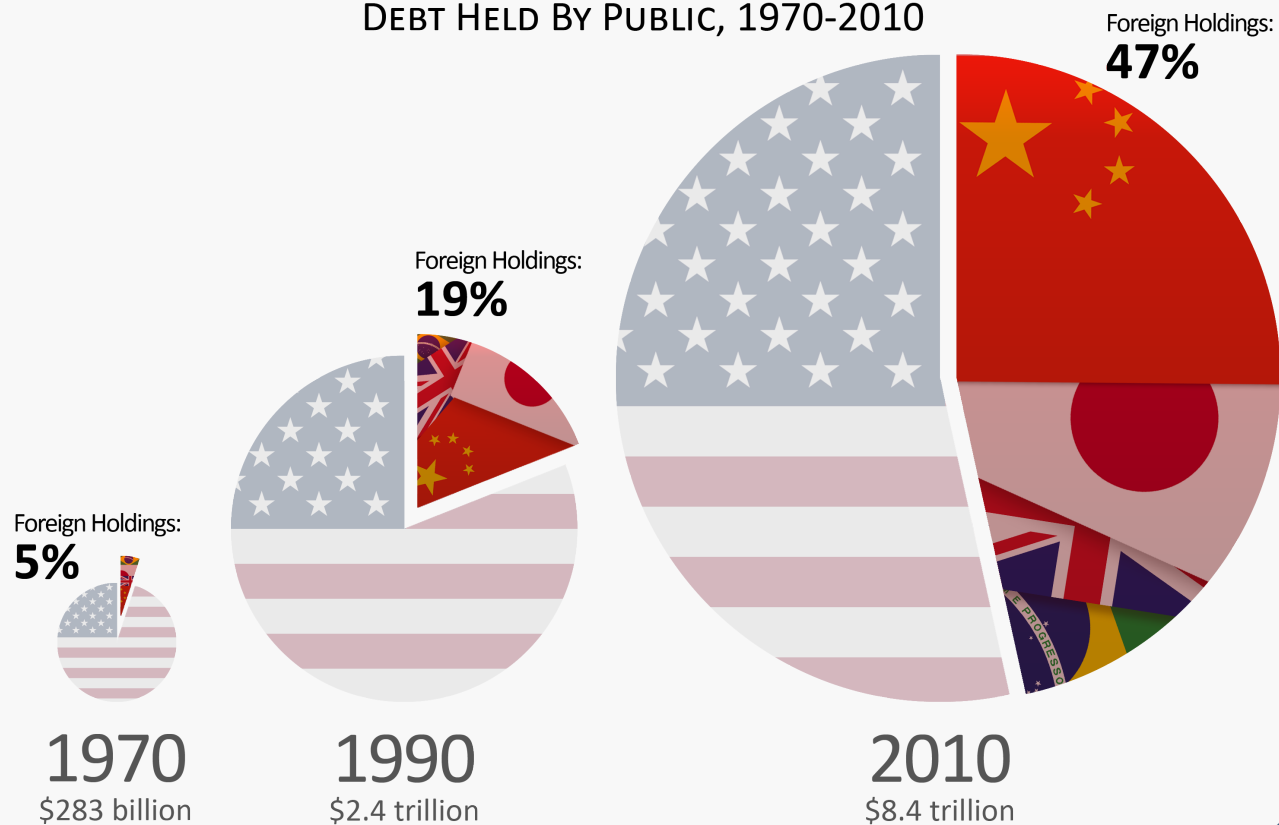
which will lead to

**HISTORIC UNEMPLOYMENT**

**The debt crisis threatens our  
national security and sovereignty.**

# WHO OWNS OUR DEBT?

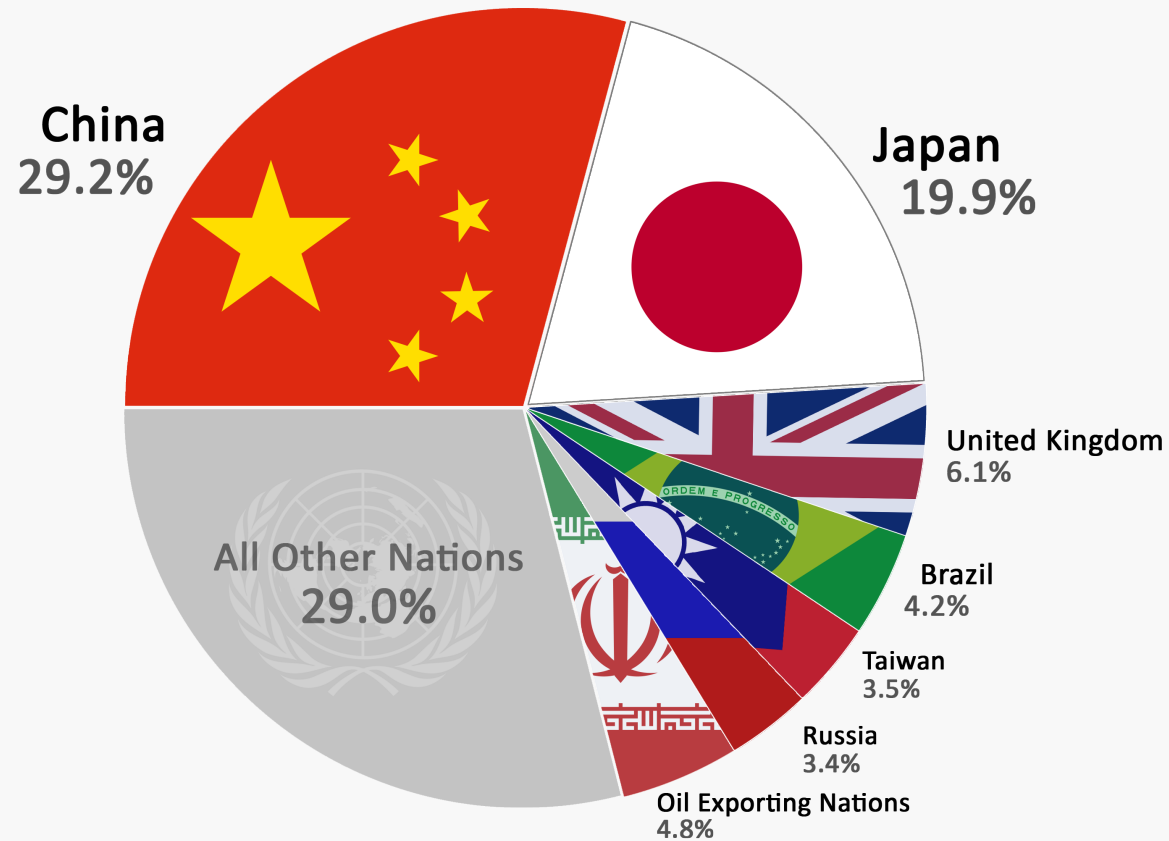
DEBT HELD BY PUBLIC, 1970-2010



Source: U.S. Treasury Department,  
December 2010

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## FOREIGN OWNERS OF OUR DEBT



Source: U.S. Department of Treasury

With the interest we pay to China on our debt,  
China can afford to buy **3 new Joint Strike Fighters**  
**every week** – with \$50 million/week left over.





“I think the biggest threat  
we have to our national  
security is our debt.”



*Admiral Mike Mullen*  
*Chairman of the Joint Chiefs*  
*July 6, 2010*

**The debt crisis threatens to  
bankrupt our nation's children.**

“So much of their money will be devoted to keeping the government afloat that they’ll have relatively little for everything else in life. Their homes will be smaller and drabber. ... They’ll still read about the consumer society and conspicuous consumption, but mainly in history texts.”

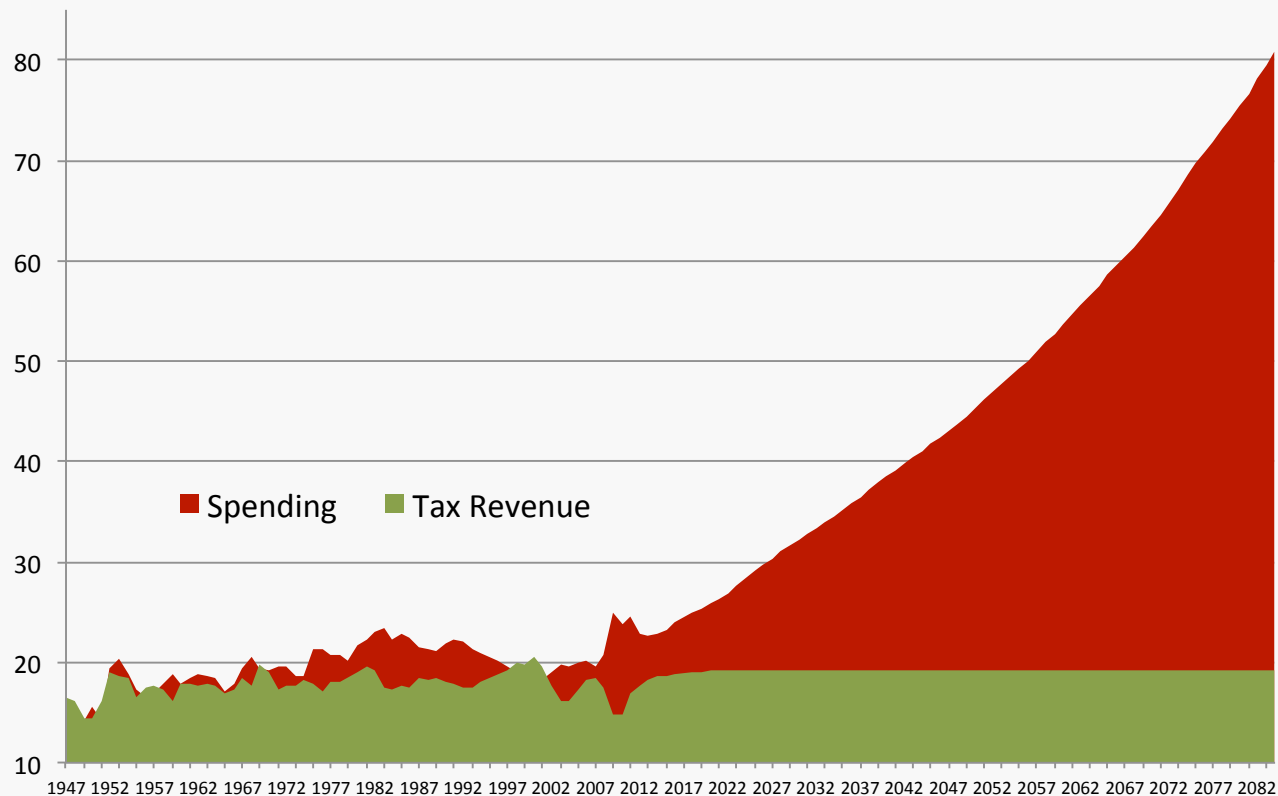
*David Walker*  
*Former GAO Comptroller General*  
*February 1, 2010*



**We have a debt crisis because  
Washington spends too much, not  
because Washington taxes too little.**

# WE ARE IN A SPENDING-DRIVEN DEBT CRISIS

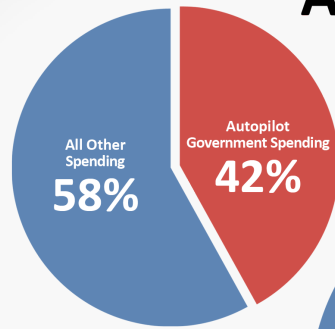
HISTORIC/PROJECTED SPENDING & REVENUE AS A PERCENTAGE OF THE ECONOMY



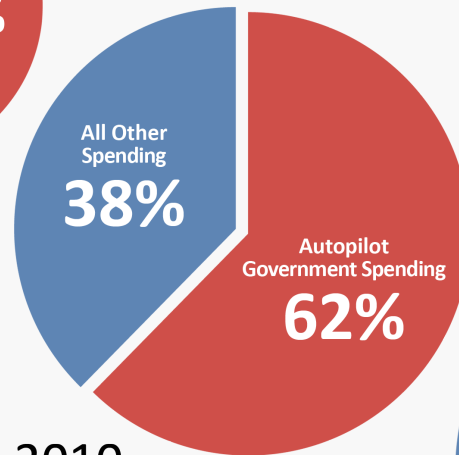
Source: Office of Management and Budget Historic Tables, Congressional Budget Office;  
projections based on the CBO's Alternative Fiscal Scenario.

**Where is all this spending  
coming from?**

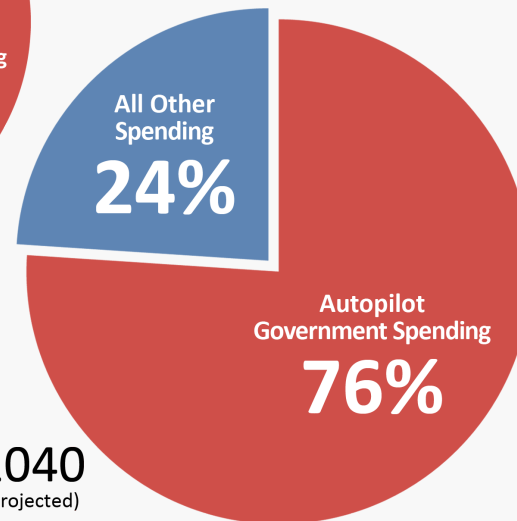
## AUTOPILOT SPENDING DRIVES DEBT



1970



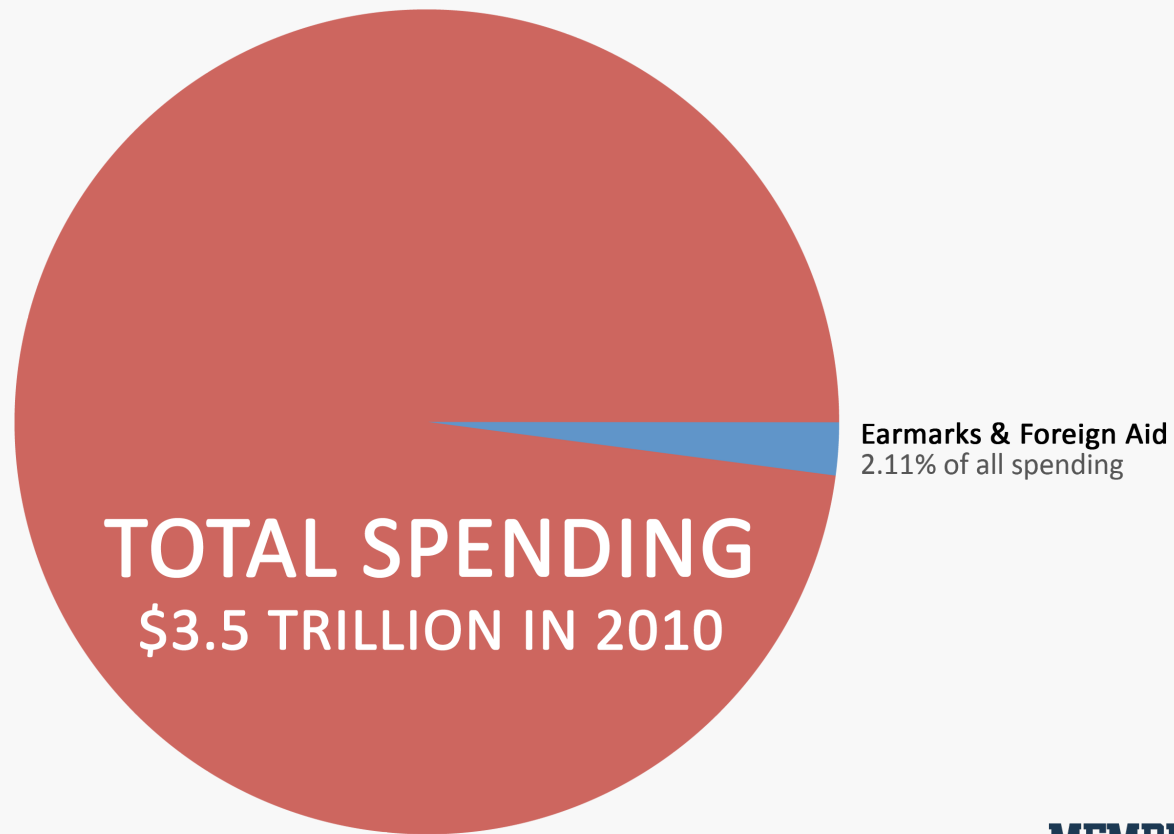
2010



2040  
(projected)

Source: Congressional Budget Office,  
Office of Management and Budget

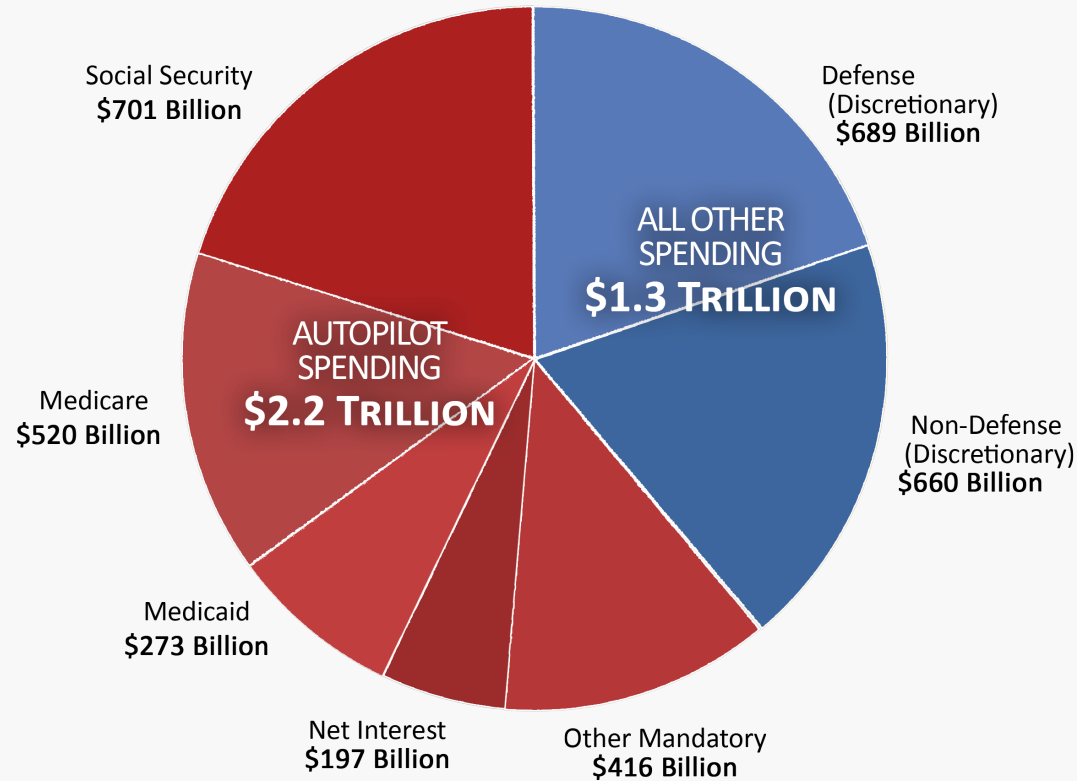
## WHAT IF WE JUST CUT EARMARKS & FOREIGN AID?



Source: Congressional Budget Office,  
Taxpayers for Common Sense



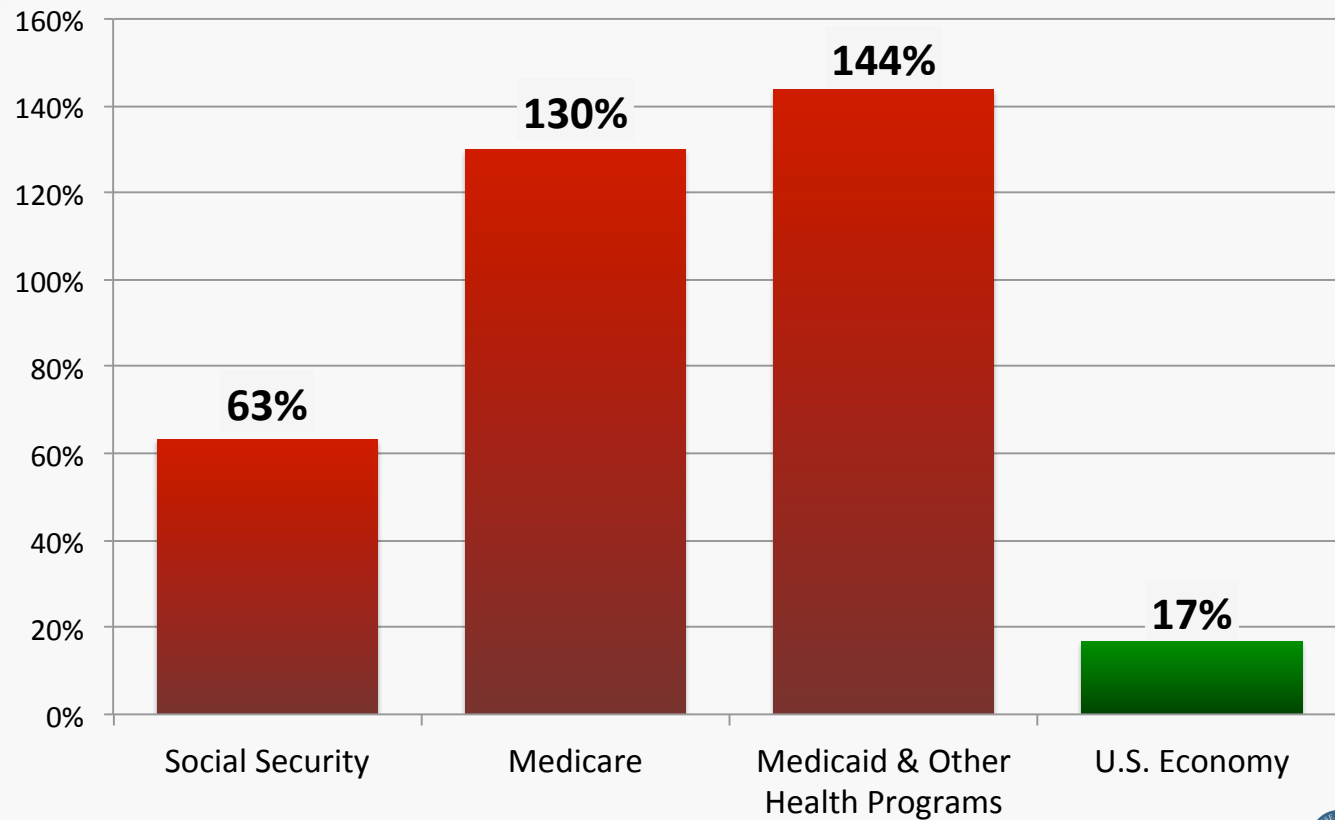
# AUTOPILOT SPENDING DOMINATES THE FEDERAL BUDGET



Source: Office of Management and Budget,  
Congressional Budget Office

## AUTOPILOT PROGRAMS GREW FASTER THAN OUR ECONOMY

(CHANGE AS A PERCENTAGE OVER LAST TEN YEARS)



Source: Bureau of Economic Analysis,  
Office of Management and Budget

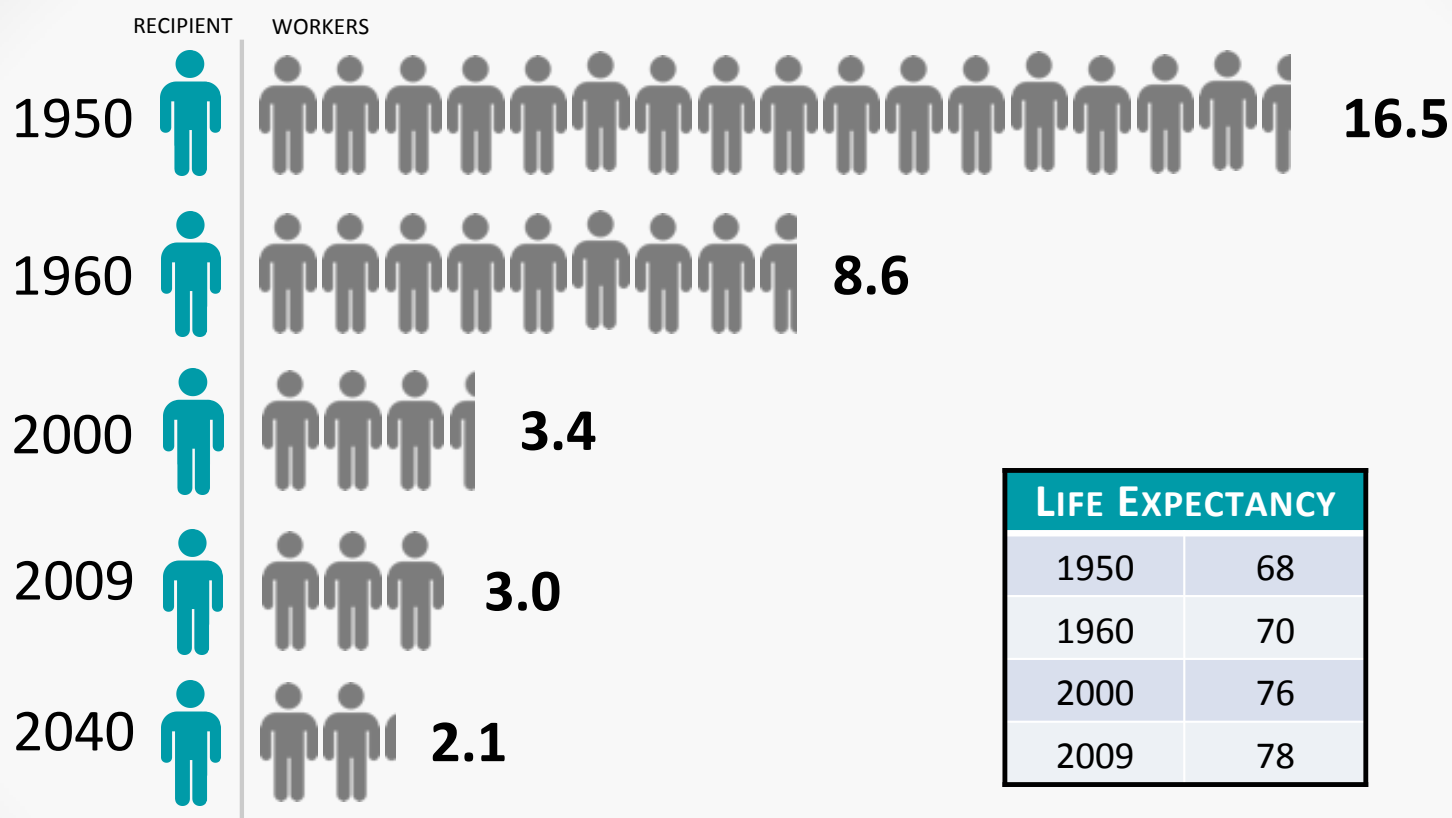


# Why Social Security, Medicare and Medicaid Are Growing So Fast

## SOCIAL SECURITY

- Americans Are Living Longer
- More Seniors Are Receiving Benefits Than Ever Before
- Birth Rates Aren't Keeping Pace with Retirement

# TAXPAYERS SUPPORTING EACH SOCIAL SECURITY RECIPIENT



Source: Social Security Administration, *The 2010 Annual Report of the Board of Trustees*; Centers for Disease Control, *U.S. Life Tables*

# Why Social Security, Medicare and Medicaid Are Growing So Fast

## MEDICARE & MEDICAID

- The Cost of Health Care is Skyrocketing
- An Aging Population is Leading to Record Medicare Enrollment
- The Economic Downturn is Leading to Record Medicaid Enrollment

“[Social Security] income, including interest on trust fund assets, will exceed annual cost and trust fund assets will increase every year until 2025.

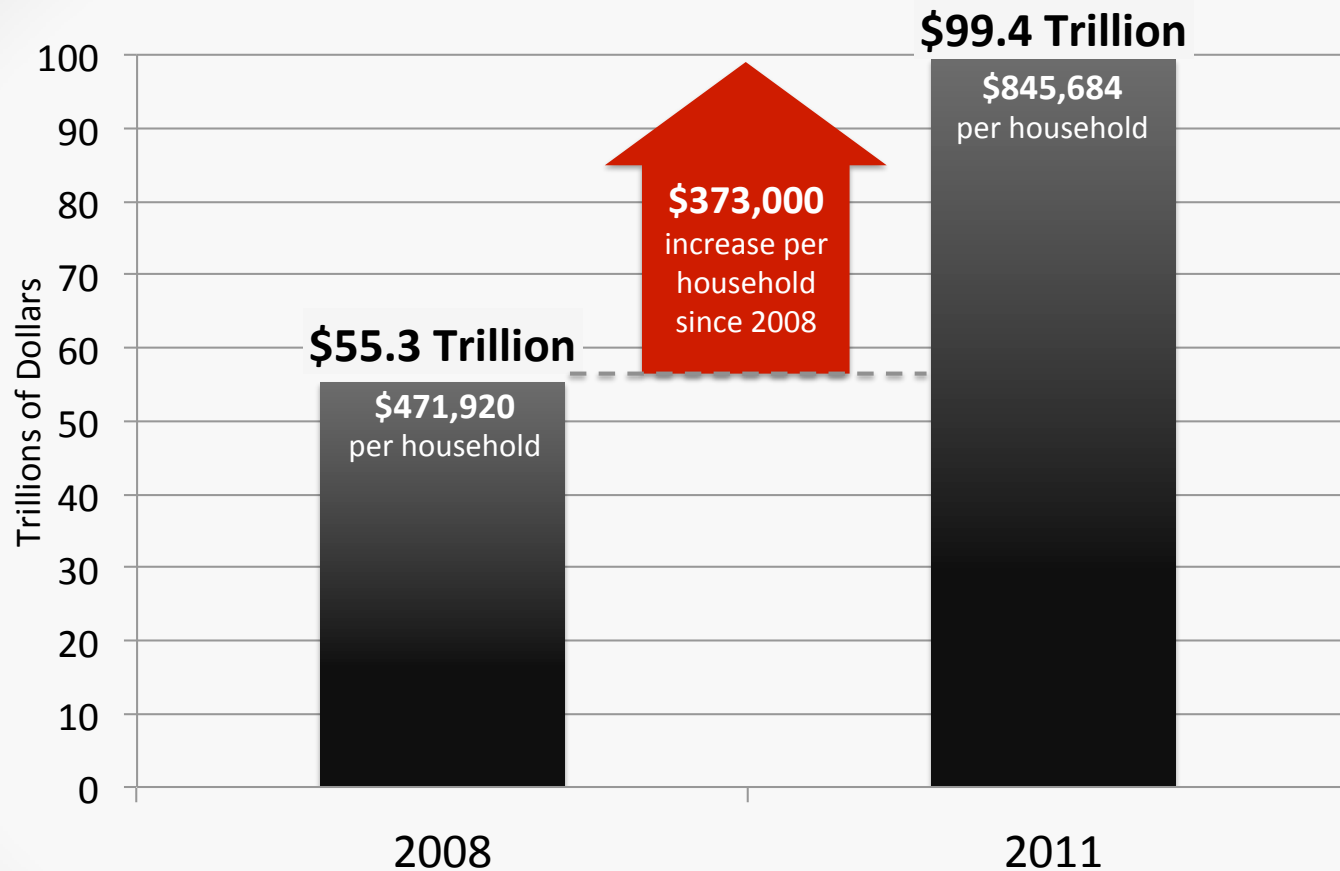
“At that time it will be necessary to begin drawing down trust fund assets to cover part of expenditures until assets are exhausted in 2037. After trust fund exhaustion, continuing tax income would be sufficient to pay 78 percent of scheduled benefits in 2037.”

Social Security and Medicare Boards of Trustees  
*A Summary of the 2010 Annual Reports*



# The Cost of Doing Nothing

## UNFUNDED PROMISES IN TRILLIONS OF DOLLARS



Source: Government Accountability Office,  
U.S. Census Bureau

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The Social Security and Medicare Trustees have said that if nothing is done, Social Security benefits will be cut by 22%.

# **Principles to Save and Strengthen Medicare, Medicaid and Social Security**

# House Republican Principles

- Spur Job Growth and Prosperity
- No Changes for Seniors
- Fulfill the Mission of Health and Retirement Security for All Americans
- Lift the Crushing Burden of Debt

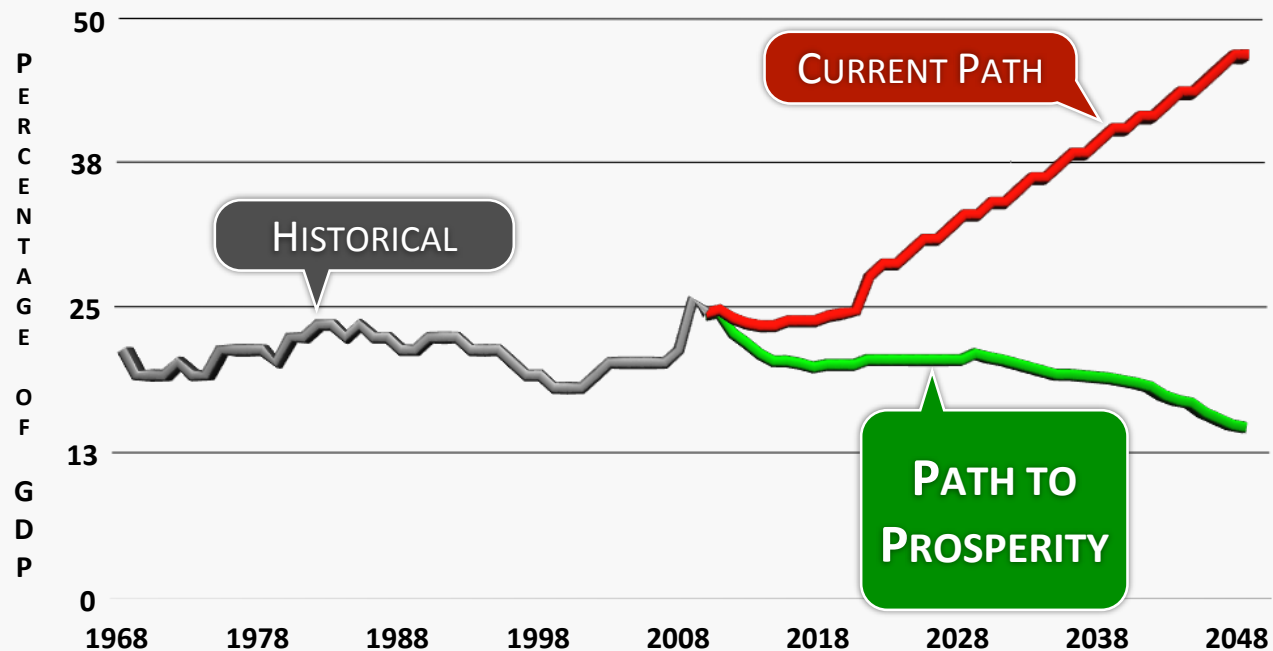
# PATH TO PROSPERITY

(CENTER FOR DATA ANALYSIS AT THE HERITAGE FOUNDATION)

-  **Faster economic growth:** \$1.5 trillion in additional real gross domestic product over the decade.
-  **More jobs:** Nearly 1 million new private sector jobs next year and 2.5 million new private sector jobs in the last year of the decade.
-  **Higher wages:** \$1.1 trillion in higher wages, salary and income.
-  **More prosperity:** avg \$1000 per year in higher income for each family

# GOVERNMENT SPENDING

## (AS PERCENTAGE OF GDP)

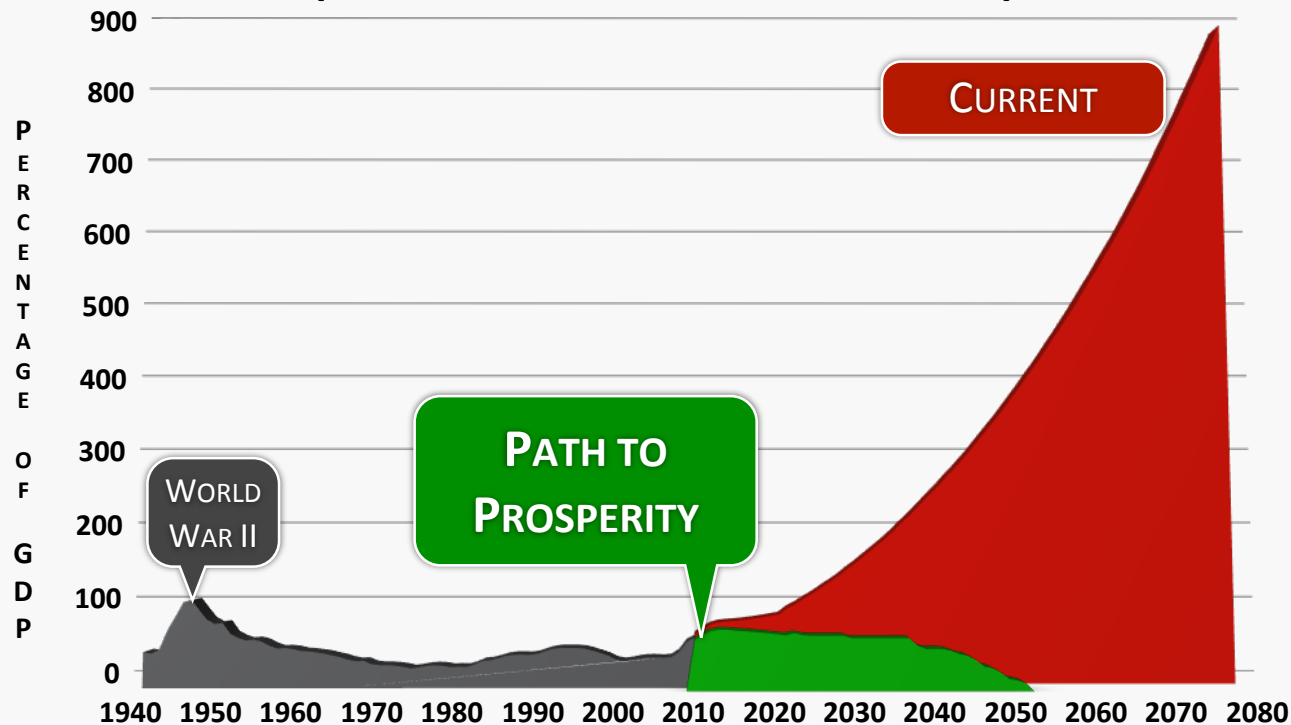


Source: Congressional Budget Office  
Courtesy of the House Budget Committee



# A CHOICE OF TWO FUTURES

(DEBT AS A SHARE OF THE ECONOMY)



Courtesy of the House Budget Committee  
Source: Congressional Budget Office, Office of Management and Budget

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# *THE BUDGET DEBATE: PLAYING DEFENSE*



**DEMOCRAT CHARGE:**

*“You’re trying to balance the budget on the backs of the poor.”*

**RESPONSE:**

In the last ten years, spending on anti-poverty and income security programs has grown by 131 percent. Government-wide spending has been growing at a record pace and often its extra funding is consumed by waste, fraud, abuse and duplication.

- GAO: 80 programs for economic development, 20 programs for the homeless, and 47 programs for job training

We propose welfare reforms of 1990s to Medicaid, food stamps and housing programs to provide a safety net for those who need it and encourage the able-bodied to get back to work. We propose Block Grants so states have greater flexibility to help recipients build self-sufficient futures for themselves and their families.





**DEMOCRAT CHARGE:**

*“Cuts in education and infrastructure ‘investments’ will harm economic growth and competitiveness.”*

**RESPONSE:**

When the Democrats say “investments,” the American people hear “stimulus.” Two years ago, the Obama administration claimed that its \$1.1 trillion “stimulus” bill would create over 3 million jobs. Since the “stimulus” became law, 2.5 million jobs have been lost and the nation has suffered from unemployment at or near 9 percent for 23 months.

**DEMOCRAT CHARGE:**

*“Congressman \_\_\_\_\_ is voting to cut jobs, school teachers, and important projects from his own district.”*

**RESPONSE:**

For the first time in America’s history, the next generation could be less prosperous and have less opportunity than the generation that preceded it. Less opportunity and less freedom will not be the legacy that I leave the children in my district. The nation’s debt currently exceeds \$14.2 trillion. The national debt is equal to \$45,800 for every man, woman and child in my district and \$121,700 for every family in my district. 42 cents of every dollar is borrowed, much of it from China, the very nation with which Americans have to compete.



**DEMOCRAT CHARGE:**

*“President Obama has acted decisively to freeze the discretionary spending.”*

**RESPONSE:**

The President’s plan to freeze some discretionary spending comes after an unprecedented two year spending binge. The president’s freeze would slow the rate of government growth by less than one percent over the next decade. Meanwhile, under the president’s FY 2012 budget we will amass \$7.2 trillion in deficits over the same period.

**DEMOCRAT CHARGE:**

*“The economy is improving, now is not the time to cut our investments when they are beginning to work.”*

**RESPONSE:**

Runaway spending, bailouts, takeovers, record debt and deficits, and the specter of massive tax increases under Democrat budgets have hindered economic growth. The Keynesian economic policies championed by Democrats have succeeded in creating record deficits and weakening America’s fiscal standing, but have absolutely failed to create jobs.

**DEMOCRAT CHARGE:**

*“This budget does not reach balance in 10 years.”*

**RESPONSE:**

The Path to Prosperity balances the budget and pays off the debt in the long run, according to the CBO. While our nation’s deficit crisis was not created overnight, this budget reduces the deficit by over \$4 trillion relative to the President’s budget over the next 10 years.

Balance could have been achieved within a 10-year window if the budget changed Social Security or Medicare for those 55 and older, but this budget keeps the promises we’ve made to Americans 55 and older, while saving these programs for future generations.

**DEMOCRAT CHARGE:**

*“You’re turning Medicare into a voucher program.”*

**RESPONSE:**

No. There are no changes for those 55 and older. We save and secure Medicare for future generations.

Future generations of retirees will have Medicare-approved coverage options so recipients can choose a plan that best suits their needs. These future Medicare beneficiaries will be provided the same kind of plan members of Congress and federal workers now enjoy.

**DEMOCRAT CHARGE:**

*“You’re cutting Social Security & Medicare.”*

**RESPONSE:**

This budget spends more on Social Security and Medicare each year than it does the previous year, but does so in a fiscally responsible manner that will lower the cost curve and ensure the long-term sustainability of the programs.

Only Washington politicians would call that a cut.

**DEMOCRAT CHARGE:**

*“The Wall Street Journal says that the budget will change Medicare as we know it.”*

**RESPONSE:**

For Americans 55 and older, we are not proposing a single change to Medicare. Period.

For Americans age 54 and younger, we are changing Medicare as we know it from a program that goes bankrupt in 9 years into a health security program that will actually be able to pay benefits to future generations of retirees.



**DEMOCRAT CHARGE:**

*“You’re ‘privatizing’ Social Security and/or Medicare.”*

**RESPONSE:**

No. There are no changes for Americans 55 and older. The government guarantee remains in place for both of these programs. CBO says Medicare will go bankrupt in nine years, and that the status quo will lead to reduced or diminished care. We save and secure Medicare for future generations by reducing costs and improving quality.

This budget spends more each year on Social Security and Medicare than the year before and, each year, beneficiaries will receive more than the year before. But this budget does so in a fiscally responsible manner that ensures the long-term sustainability of these programs.



**DEMOCRAT CHARGE:**

*“You’re cutting taxes for the rich.”*

**RESPONSE:**

We have deficits because Washington spends too much, not because Americans are taxed too little. When Republicans provided tax relief in 2003, the amount of revenue collected by the government went up by more than \$700 billion over five years and the deficit went down. This budget extends the current tax rates, repeals ObamaCare taxes, and provides fundamental tax reform (top rates at 25 percent) to make us more competitive.

Those who contend that Washington should increase taxes on American families and job producers to pay for this spending binge must be willing to increase revenue by “by more than 50 percent” just to keep debt at its current level, according to the Government Accountability Office. Taxes would have to more than double on the next generation.



**Republicans are taking decisive action  
to reduce Washington spending and  
help create jobs.**

# The Path to Prosperity Creates Jobs

- According to a recent study by the Heritage Center for Data Analysis, the Path to Prosperity creates nearly 1 million new private-sector jobs next year, brings the unemployment rate down to 4 percent by 2015, and results in 2.5 million additional private-sector jobs in the last year of the decade.
- Unleashes prosperity and economic security, resulting in \$1.1 trillion in higher wages and an average of \$1,000 per year in higher income for each family.

# The Path to Prosperity Cuts Spending

- Cuts \$6.2 trillion in government spending over the next decade compared to the President's budget, and \$5.8 trillion relative to the current policy baseline.
- Eliminates hundreds of duplicative programs, reflects the ban on earmarks, and curbs corporate welfare, bringing non-security discretionary spending to below 2008 levels.
- Brings government spending to below 20 percent of the economy, a sharp contrast to the President's budget, which never falls below 23 percent of GDP over the next decade.

# The Path to Prosperity Reduces Debt and Deficits

- Reduces deficits by \$4.4 trillion compared to the President's budget over the next decade.
- Surpasses the President's low benchmark of sustainability – which his own budget fails to meet – by reaching primary balance in 2015.
- Puts the budget on a path to balance and pays off the debt.

# The Path to Prosperity Keeps Taxes Low

- Keeps taxes low so the economy can grow. Eliminates the roughly \$800 billion tax increase imposed by the President's health care law. Prevents the \$1.5 trillion tax increase called for in the President's budget.
- Calls for a simpler, less burdensome tax code for households and small businesses. Lowers tax rates for individuals, families and businesses. Sets top rates for individuals and businesses at 25 percent. Improves incentives for growth, saving, and investment.

# Win The Battle At 30,000 Feet -- Not In The Trenches





# Humanize the Debate

## Humanize the Debate



“I have never felt so embarrassed and ashamed about anything I have done in my life as I do about leaving this mess in the laps of Tyler and Kaytlin, my precious grandkids. I have written both of them a heartfelt apology for them to read when they get old enough to understand what I allowed our country’s governing authority to do to them.”

*Rich  
Winnsboro, Texas*

# Humanize the Debate



“I could not hire more employees or expand my business, and I would definitely have to close up shop. As a small business owner, I am very afraid of my future.”

*Dianne  
Kaufman, Texas*

# We're About Growth Economics -- Not Root Canal Economics



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*PLAY OFFENSE,  
NOT DEFENSE!*